



**INSOLVENCY PROFESSIONAL AGENCY
OF INSTITUTE OF COST ACCOUNTANTS OF INDIA**

Casebook Issue

31:

**Insolvency Tale of
Micromax Energy
Limited**

**INSOLVENCY
UNCOVERED**

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About Micromax Energy Limited (“MEL”)¹

Micromax Energy Limited is a Non-govt company, incorporated on 18 Oct, 2010. It is a public unlisted company and is classified as 'company limited by shares'.

Company's authorized capital stands at Rs 5.0 lakhs and has 100.0% paid-up capital which is Rs 5.0 lakhs. Micromax Energy Limited last annual general meet (AGM) happened on 28 Sep, 2017. The company updated its last financials on 31 Mar, 2017 as per Ministry of Corporate Affairs (MCA).

Micromax Energy Limited is majorly in Manufacturing (Others) business for the last 10 years and currently, company's operations are active. Current board members & directors are Sumeet Kumar, Rajesh Agarwal, Rahul Sharma, Vikas Jain and Mukesh Gupta.

Micromax Energy Limited registered address is Plot No-21/14, Block-A Naraina Industrial Area Delhi- 110028.

Major Financial Creditors/Bankers

No claims were received from the Financial Creditors. All unsecured related party director loans. Only one Operational Creditor.

CIRP of Micromax Energy Limited

M/s Jay Ace Technologies Limited files application in National Company Law Tribunal (“NCLT”)²

The Petitioner Panama Petrochem Ltd. is an operational creditor. An application under section 9 of the Insolvency and Bankruptcy Code, 2016 (**Code**) read with Rule 5 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rule, 2016 had been filed for initiating the insolvency resolution process against Micromax Energy Limited.

The first hearing of the matter was done on 9th April, 2018. Number of hearings were done and in the final hearing on 17th Decemebr,2018, New Delhi Bench of NCLT admitted the petition.

MEL herein the Corporate Debtor (CD) owed a sum of Rs. 88. 48 lakhs to M/s Jay Ace Technologies Ltd. The Petitioner did not propose the name of Interim Resolution Professional (**IRP**) along with the application. NCLT after hearing both the parties admitted the Corporate Insolvency Resolution Process (**CIRP**) of MEL and NCLT appointed Mr. Avineesh Matta as the IRP.

Appointment of Resolution Professional (RP)

Committee of Creditors (**COC**) in its second meeting held on 28th January, 2019 unanimously approved the appointment of IRP Mr. Avineesh Matta as the RP.

Mr. Avineesh Matta (RP) files application for exclusion of seventy-three days^{3&4}

The order passed by the NCLT was challenged before the National Company Law Appellate Tribunal (NCLAT). The NCLAT chose not to allow the appeal and the appeal was disposed of with the order that NCLAT is not inclined to interfere with the order of NCLT order dated 17th December, 2018.

RP files an application in the NCLT to exclude seventy days from 17th December, 2018 to 07th May, 2019 for the purpose of computation of 180 days. NCLT vide its order dated 02nd July, 2019 allowed the petition and excluded seventy days from the CIRP.

RP files application in NCLT for approval of Resolution Plan⁵

Four resolution applicants expressed their interest. In the 11th meeting of CoC held on 24th October, 2019, RP apprised CoC that out of four eligible prospective resolution applicants, who were part of the final list of PRAs, two namely, Shri Mukesh Gupta and Shri Krishna Bansal jointly submitted a resolution plan along with performance security amount.

The resolution plan was put for voting and the CoC approved the resolution plan with majority of 86.33%.

Salient Features of the Resolution Plan:

Resolution Applicants:

Shri Mukesh Gupta MD of CD (here in referred as MG) and Shri Krishan Bansal, CFO of CD (here in referred as KB)

Resolution Debt:

- a. The Operational creditors' claims admitted of Rs. 181.22 lakhs.

- b. No claims were received from the Financial Creditors as there were all related parties unsecured loans from the directors.

Resolution proposal:

- a. All admitted claims of OCs would be settled in 100% value.
- b. Mode of repayment was proposed by off grid inverter stock at the rate of Rs. 200/- per unit plus applicable GST and or on grid inverter stock at the rate of Rs. 3.50/- per watt plus GST.

Sources of settlement:

- a. Off grid and on grid to be supplied by M/s Bhagwati Products Limited (herein referred as BPL)
- b. CIRP cost shall be fully funded by joint resolution applicants in the ratio of 60:40 (MG:KB). All CIRP cost to be funded accruing until approval of the resolution plan by the adjudicating authority.

Implementation Period:

- a. Within 30 days, from the date of approval of the resolution plan by the adjudicating authority.
- b. Monitoring by RP viz. Mr. Avineesh Matta
- c. No extension shall be sought by the resolution applicants.

Repayment of related parties' debts:

- a. BPL Rs. 322.62 Lakhs, Microlyte Rs.102.43 Lakhs.
- b. To be paid by the internal accruals over 5years, including those goods being supplied by the BPL under plan.
- c. Undertaking from parties and comfort letter from BPL submitted.

Other Issues:


- a. All past unclaimed debts for which claims not filed or filed but not admitted by RP will stand extinguished.
- b. No change in management or capital structure is proposed.
- c. One of the resolution applicants' viz., KB to be appointed on board of CD within 60 days of the approval of the resolution plan.
- d. Joint resolution applicants' purpose to exit LA (lead acid) battery business in CD.
- e. No reduction in claims already admitted.

NCLT after hearing both the parties approved the resolution plan on 24th June 2020.


Concluding Notes


It is specifically noted that the Resolution Applicants propose to exit Lead Acid battery business in corporate debtor and switch over to lithium business, with respect to which the directors of the CD and the resolution applicants namely Mr. Mukesh Gupta have considerable experience in the lithium industry and have great chances of success. The CD has the necessary ICAT certifications for lithium business. The GST registrations were also in place, thus, no approval from government statutory body would be required to restart the business.

CIRP Timeline

- 
- 17.12.18
 - NCLT admitted the application for commencement of CIRP.

- 
- 28.01.19
 - COC appointed IRP as RP

- 
- 02.07.19
 - NCLT allowed exclusion of seventy- three days

- 
- 15.04.19
 - NCLT approved the Resolution Plan.

Bibliography

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²[https://nclt.gov.in/sites/default/files/Interim-order-
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